
Finance Committee

HB 2239

Brief Description: Modifying provisions relating to the sales and use taxation of grain elevators.

Sponsors: Representatives Takko, Orcutt, Blake, Curtis, Williams and Morrell.

Brief Summary of Bill

- Provides a sales and use tax exemption for grain exporting equipment and facilities.

Hearing Date: 2/27/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

In 1996, the Department of Revenue undertook a comprehensive warehouse and distribution study. The study compared the major state and local taxes on warehouse firms in Washington with a group of selected states: Oregon, Idaho, California, Nevada, Louisiana, Texas, and Utah. The study found that:

- (1) large warehousing and distribution operations were becoming more consolidated with fewer firms operating increasingly larger and more regionalized facilities, thus creating greater competition between ports and third-party warehouses in Washington compared with neighboring states;
- (2) due to competitive cost factors, large regional facilities, along with retail and wholesale firms, had an increasing incentive to locate their distribution facilities in states that offer the greatest tax advantage;

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- (3) smaller and localized operations need to be closer to customers and are less influenced by interstate tax differentials; and
- (4) the state should provide new tax incentives for investment in large warehousing operations in order to increase trade and create new family wage jobs, while minimizing the impact on existing tax revenues.

In 1997, in response to this study, a sales and use tax exemption was enacted for the construction of warehouses, grain elevators, and distribution centers, and the purchase of material-handling and racking equipment and installation and repair for this equipment. The exemption is in the form of a remittance. The exemption only applies to state sales and use taxes.

For grain elevators with a bushel capacity between one million and two million, the exemption is equal to 50 percent of the amount of tax paid on the labor and materials for construction of the elevator. The exemption is also 50 percent of the amount of tax paid for material-handling and racking equipment, including installation and repair services for the equipment.

For grain elevators with a bushel capacity over two million and warehouses with a square footage of 200,000 or more, the exemption is equal to 100 percent of the tax paid on the materials and labor for the construction of the grain elevator or warehouse. The exemption is 50 percent of the tax paid for material-handling and racking equipment, including installation and repair services for the equipment.

"Material-handling equipment" is equipment in a warehouse or grain elevator that is used primarily to handle, store, organize, convey, package, or repackage finished goods.

Grain elevator explosions are a serious concern to a number of federal agencies and to the grain-handling industry. The explosions result from the fuel, suspended grain dust, coming into contact with an ignition source, which can be as ubiquitous as static electricity. In recent years, grain elevator companies are building equipment and supporting structures outside the storage area to minimize the risk of a dust explosion.

Summary of Bill:

The warehouse and grain elevator sales and use tax exemption is modified by creating a category for grain exporting facilities with a bushel capacity in excess of 3 million that are built after January 1, 2007.

Materials and labor for the construction of grain exporting facility structures, and the purchase of grain exporting facility equipment, including installation and repair services for the equipment, are eligible for a sales and use tax exemption in the form of a remittance.

Materials, labor, and equipment is 100 percent exempt from state sales and use tax.

Grain exporting facility structures are structures used primarily to handle, store, organize, or convey grain or seed products. Grain exporting facility equipment is equipment used to handle, store, organize, or convey grain or seed products to, from, or within a grain exporting facility structure.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.